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## **Feds Forecast Average Maine Winter, Somewhat Higher Fuel Prices; Heating Expenditures Expected to Rise from Last Season**

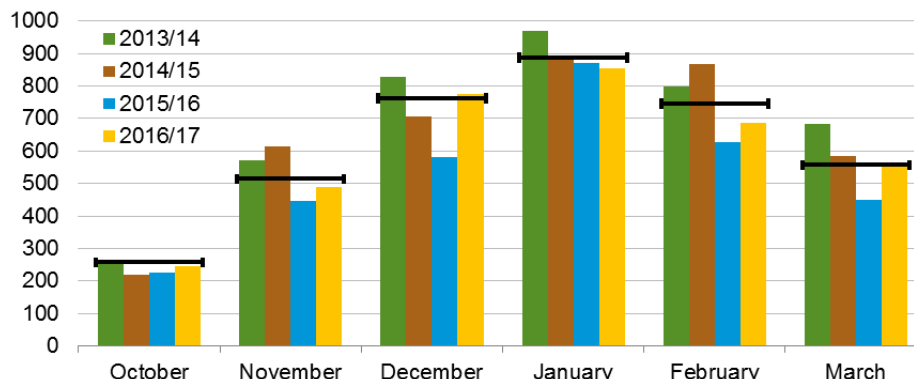
Augusta, Maine – The Governor's Energy Office (GEO) conducted its weekly heating fuel price survey on Monday, October 17, 2016, and found the current statewide average cash price for No. 2 heating oil rose to **\$2.01 per gallon**, an increase of four cents over the last week. The average statewide kerosene price follows the same trend; this week's price was \$2.51 per gallon, two cents higher than last week. Propane's average price rose similarly, also gaining two cents over the last week, to \$2.25 per gallon. These increases follow higher prices recorded the previous week. The average heating oil price has gained thirteen cents since the heating season began Oct. 1, while kerosene and propane prices have each risen six cents over the same time period.

Last week, the US Energy Information Administration (EIA) released its [Winter Energy Outlook](#) for the upcoming heating season. In this forecast, the EIA discusses heating fuel supplies and price forecasts, as well as how weather patterns might affect heating fuel consumption and expenditures.

Based on forecasts of heating degree days (HDD), New England states are expected to experience an average winter this year, slightly warmer (3-4%) than winters from 2010-2014, but 16-18% colder than the mild temperatures observed last year. This is consistent with the national outlook, illustrated below.

### **U.S. winter heating degree days**

population-weighted



Note: EIA calculations based on National Oceanic and Atmospheric Administration (NOAA) data. Horizontal lines indicate each month's prior 10-year average (Oct 2006 - Mar 2016). Projections reflect NOAA's 14-16 month outlook.

Source: Short-Term Energy Outlook, October 2016.

Heating fuel demand, therefore, is expected to be higher than last year.

In addition to increased consumption, fuel prices are also expected to be more expensive than last year. Global crude oil prices have recovered somewhat from ten-year lows observed in January and February of 2016, and now hover in the \$50+ range (per barrel). This has resulted in some fuel price increases; however, inventories globally remain robust, so Maine prices are not expected to rise to the levels observed in 2013-14.

- **Heating oil** – prices have already reached the \$2.00 per gallon mark, and are expected to increase to the vicinity of \$2.50 per gallon. Oil inventories are 15% above last year, so even in the event of a colder winter, supplies will remain at the high end of the five-year historical range.
- **Propane** - prices are expected to be 20% higher than last year, and consumption approximately 13% higher. Inventories are 36% above five year average, but most supplies are located on the Gulf coast. In the event of a severe winter, there could be transportation delays. Fuel is currently being transported north in anticipation of winter demand.
- **Natural gas** – nationally, inventories are at almost record levels. Prices are expected to be higher (\$3+/mmbtu) for supply at the Gulf Coast Hub (called the Henry Hub price), due to increased demand for generating electricity, and a decline in U.S. production. In the event of a colder than expected winter, inventories will still remain in five-year average range.
- **Electricity** – prices not projected to rise significantly. Although there has been some incremental increase in gas capacity, potential constraints on the gas pipeline system in the Northeast still remain. These constraints could cause isolated price spikes (our region is more dependent on gas fired electricity generation than other areas), but most residential electric supply customers are somewhat insulated from any temporary price spikes. The New standard offer electric supply service for CMP's service territory and Emera Maine-Bangor Hydro District are being reviewed now by the Public Utilities Commission.

#### Expected Heating Fuel Costs, 2015 to 2016 (National)

Percent change in fuel bills from last winter (forecast)			
	Base case forecast	If 10% warmer than forecast	If 10% colder than forecast
Heating Oil	38%	23%	56%
Natural Gas	22%	12%	31%
Propane*	26%	6%	49%
Electricity	5%	2%	9%

\* Propane expenditures are a volume-weighted average of the Northeast and Midwest regions. All others are U.S. volume-weighted averages. Propane prices do not reflect prices locked in before the winter heating season starts.

Source: Energy Information Administration

Using this week's average heating oil price (\$2.01), and converting to a common heating unit value (million Btu), the price of fuel oil is \$13.56. This compares with an equivalent heating unit

value for cord wood of \$11.36 (at \$250/cord); natural gas of \$13.12<sup>1</sup> (at \$1.31/therm); wood pellets, \$15.82 (at \$261/ton); kerosene \$18.59 (at \$2.51/gallon); propane, \$24.64 (at \$2.25/gallon); and electricity (electric baseboard), \$38.10 to \$55.69 (at 13-19 cents per kwh). However, fuel prices are only part of the calculation when determining which fuel will save you more money over the course of a heating season. The type of heating system, as well as its efficiency, is also an important factor in determining final costs. The Energy Office has a calculator on its web site that allows consumers to explore these fuel options further, as well as compare efficiencies of heating systems most closely matching their own system. Heating costs vary considerably from home to home. The home heating calculator can assist homeowners in finding the best heating option for their home, location, lifestyle, and budget <http://www.maine.gov/energy/index.html>. Efficiency Maine also has a calculator on its website that can help consumers evaluate their heating options <http://www.energymaine.com/at-home/home-energy-savings-program/heating-cost-comparison/>

As of October 17, 2016

Heating Oil	Statewide	Southwest	Central	Eastern	Western	Northern
<b>Average</b>	2.01	1.97	2.03	2.02	1.93	2.18
<b>High</b>	2.20	2.19	2.20	2.20	2.15	2.20
<b>Low</b>	1.76	1.80	1.80	1.86	1.76	2.13
<b>Kerosene</b>	2.51	2.56	2.49	2.48	2.46	2.63
<b>Propane</b>	2.25	2.26	2.24	2.17	2.24	2.40

The price for heating oil is a statewide average; prices in a given geographic region of the state may be considerably higher or lower than this average. This week, within the Energy Office sample, the highest heating oil price (\$2.20) was found in three regions in the state, and the lowest heating oil price (\$1.76) was found in only one region. Also, **the statewide average price for propane is based on consumption of at least 900 gallons a year.** Households using propane just for cooking or hot water generally pay a higher per gallon price. The table above provides current Maine cash prices in dollars rounded to the nearest penny.

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<sup>1</sup> natural gas prices reflect some non-heating season supply costs; prices will be higher as the heating season progresses